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# A BILL FOR AN ACT

RELATING TO MEDICAID REIMBURSEMENTS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that Hawaii's health care  
2 system consists of a myriad of services that must be coordinated  
3 and integrated to ensure access to quality care at the  
4 appropriate level for all of Hawaii's residents. An individual  
5 often accesses different health care providers delivering  
6 different products and services, and may transition from one  
7 level of care to another over time. It is important to  
8 effectively manage patients' transitions to facilities providing  
9 the appropriate level of care to maintain the availability of  
10 services at all levels, more accurately address patient needs,  
11 and ensure efficient and cost effective service delivery.

12           The legislature further finds that this transition has been  
13 particularly difficult between acute care hospitals and  
14 long-term care facilities. Often, patients no longer needing  
15 hospitalization, but still requiring medical services, are  
16 waitlisted for long-term care due to a shortage of available  
17 space in long-term care facilities. The unfortunate consequence  
18 is a shortage of available space and service delivery at acute



1 care hospitals. Additionally, acute care hospitals are facing a  
2 financial crisis due to the manner in which Medicaid  
3 reimbursements are allocated.

4 When a Medicaid-eligible patient is treated by an acute  
5 care hospital, Medicaid pays a rate based upon the level of care  
6 needed by the patient. When the patient is well enough to be  
7 transferred to long-term care, the Medicaid reimbursement is  
8 reduced to a rate that is twenty to thirty per cent of the  
9 actual cost of acute care hospitalization. If the hospital is  
10 not able to transfer the patient to long-term care, it must  
11 absorb the financial loss. This creates an unnecessary fiscal  
12 burden on acute care hospitals, as their cost of care is  
13 generally more fixed due to stringent regulatory and  
14 quality-control requirements.

15 At any particular time, a total of about two hundred  
16 patients in Hawaii's hospitals are waiting to be transferred to  
17 long-term care. Patients with certain conditions have been  
18 waitlisted for up to a year. The total loss to hospitals was  
19 estimated at \$72,500,000 in 2008.

20 A significant portion of that loss is due to underpayment  
21 by Medicaid and its contracted health plans. Medicaid is, in  
22 effect, a public-private partnership because the public sector



1 provides the funding and the private sector provides the  
2 services. Unfortunately, Medicaid reimbursements seldom cover  
3 the actual cost of provided services, resulting in fiscally  
4 weakened health care facilities and instability in the health  
5 care system as a whole.

6 In the past, acute care hospitals were able to absorb  
7 Medicaid losses using payments from commercial and other payers  
8 to offset under-funded Medicaid reimbursements. But as the cost  
9 of health care has increased, and significant developments in  
10 medical technology have required acute care hospitals to  
11 increase their capital investments, even these payments are no  
12 longer enough to bridge the fiscal gap. The result for many of  
13 these hospitals is financial failure. For example, without  
14 annexation by the Hawaii health systems corporation, which is  
15 subsidized by the State, Kahuku hospital would have ceased  
16 operations due to bankruptcy. Underpayment by Medicaid was  
17 cited as one of the major reasons for Kahuku hospital's  
18 financial difficulties.

19 The legislature is concerned that long-term care facilities  
20 are also facing financial hardship as a result of inappropriate  
21 medical reimbursements. Payments for patients with complex  
22 medical conditions requiring additional care should be



1 cost-based rather than acuity-based to address the disparities  
2 in the cost of services and service delivery.

3 The purpose of this Act is to provide fair compensation to:

4 (1) Acute care hospitals for the service they provide to  
5 Medicaid patients who have been treated for acute  
6 illnesses and injuries and who have recovered  
7 sufficiently so that they may be transferred to  
8 long-term care, but for whom long-term care is not  
9 available; and

10 (2) Long-term care facilities for patients with medically  
11 complex conditions when their level of care changes  
12 from acute to long-term care.

13 SECTION 2. Chapter 346, Hawaii Revised Statutes, is  
14 amended by adding a new section to be appropriately designated  
15 and to read as follows:

16 "§346- Medicaid reimbursements. (a) Reimbursements by  
17 Medicaid and its contracted health plans to hospitals for  
18 patients occupying acute-licensed beds and who are on a waitlist  
19 for long-term care shall be at least equal to the rate paid for  
20 acute care services.

21 (b) Reimbursements by Medicaid and its contracted health  
22 plans to facilities with long-term care beds for patients with

1 medically complex conditions who, prior to admission to the  
2 facility were receiving acute care services in an acute care  
3 hospital, shall be at least equal to the rate paid for subacute  
4 care.

5 (c) Unless shorter payment timeframes are otherwise  
6 specified in a contract, Medicaid and its contracted health  
7 plans shall reimburse a claim that is not contested or denied  
8 not more than thirty calendar days after receiving the claim  
9 filed in writing, or fifteen calendar days after receiving the  
10 claim filed electronically, as appropriate.

11 (d) As used in this section:

12 "Medically complex condition" means a combination of  
13 chronic physical conditions, illnesses, or other medically  
14 related factors that significantly impact an individual's health  
15 and manner of living and cause reliance upon technological,  
16 pharmacological, and other therapeutic interventions to sustain  
17 life.

18 "Subacute care" means a level of care that is needed by a  
19 patient not requiring acute care, but who needs more intensive  
20 skilled nursing care than is provided to the majority of  
21 patients in a skilled nursing facility."



1 SECTION 3. Section 346D-1.5, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "§346D-1.5 Medicaid reimbursement equity. Not later than  
4 July 1, 2008, there shall be no distinction between hospital-  
5 based and nonhospital-based reimbursement rates for  
6 institutionalized long-term care under Medicaid. Reimbursement  
7 for institutionalized intermediate care facilities and  
8 institutionalized skilled nursing facilities shall be based  
9 solely on the level of care rather than the location. This  
10 section shall not apply to critical access hospitals[-] or to  
11 reimbursements made in accordance with section 346- .

12 The State's share of matching funds for reimbursements made  
13 in accordance with section 346- shall be provided through  
14 specifically-designated appropriations to the extent funding is  
15 available. If specifically-designated funding is not available,  
16 Medicaid reimbursement shall be in accordance with the existing  
17 Medicaid payment methodology."

18 SECTION 4. There is appropriated out of the general  
19 revenues of the State of Hawaii the sum of \$ or so  
20 much thereof as may be necessary for fiscal year 2010-2011 for  
21 increased Medicaid reimbursement in accordance with this Act.



1           The sum appropriated shall be expended by the department of  
2 human services for the purposes of this Act.

3           SECTION 5. Statutory material to be repealed is bracketed  
4 and stricken. New statutory material is underscored.

5           SECTION 6. This Act shall take effect on July 1, 2050.



**Report Title:**

Medicaid; Hospital Reimbursements; Long-Term Care  
Reimbursements; Appropriation

**Description:**

Requires Medicaid reimbursement to hospitals for patients occupying acute-licensed beds who are on a waitlist for long-term care to be at least equal to the rate paid for acute care services; requires Medicaid reimbursement to long-term care facilities for patients with medically complex conditions to be at least equal to the rate paid for subacute care; appropriates funds for increased reimbursements. Effective July 1, 2050.  
(SB2270 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

